

# FISCAL NOTE

**Bill #:** SB0341

**Title:** State funding with increase direct aid, GTB, and entitlements

**Primary Sponsor:** Gillan, K

**Status:** As Introduced

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Sponsor signature

\_\_\_\_\_  
Date

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David Ewer, Budget Director

\_\_\_\_\_  
Date

## Fiscal Summary

	<b><u>FY 2006</u></b> <b><u>Difference</u></b>	<b><u>FY 2007</u></b> <b><u>Difference</u></b>
<b>Expenditures:</b>		
General Fund	\$55,151,823	\$89,738,867
<b>Revenue:</b>		
General Fund	\$0	\$0
<b>Net Impact on General Fund Balance:</b>	(\$55,141,823)	(\$89,738,867)

<input checked="" type="checkbox"/> Significant Local Gov. Impact	<input checked="" type="checkbox"/> Technical Concerns
<input type="checkbox"/> Included in the Executive Budget	<input type="checkbox"/> Significant Long-Term Impacts
<input type="checkbox"/> Dedicated Revenue Form Attached	<input checked="" type="checkbox"/> Needs to be included in HB 2

## Fiscal Analysis

### ASSUMPTIONS:

1. The average number belonging (ANB) in K-12 public schools will be as follows:

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
K-6 ANB	73,230	71,263	70,772
7-8 ANB	24,956	24,958	24,353
9-12 ANB	49,466	49,363	48,643
	147,652	145,584	143,768

2. SB 341 increases the elementary and high school entitlements. It also increases the Direct State Aid percentage to 48% and decreases the GTB percentage to 32%. The basic and per-ANB entitlements will be set as follows:

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Basic entitlement EL	\$19,859	\$20,276	\$20,720
Basic entitlement HS	\$220,646	\$225,280	\$230,214
Per-ANB entitlement EL	\$4,031	\$4,416	\$4,706
Per-ANB entitlement HS	\$5,371	\$5,684	\$5,804

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Direct State Aid Percentage	44.7%	48.0%	48.0%
Direct State Aid Percentage	35.3%	32.0%	32.0%

3. The statewide taxable valuations will increase by 2.5 percent in FY 2006 and 2.8 percent in FY 2007.
4. Under current statutory entitlements the estimated costs are: direct state aid will be \$322.78 million in FY 2006 and \$318.82 million in FY 2007. Special education payments will be \$36.4 million in FY 2006 and FY 2007. Guaranteed tax base aid to schools will be \$102.03 million in FY 2006 and \$100.17 million in FY 2007. County retirement costs will be \$21.52 million in FY 2006 and \$22.23 million in FY 2007.
5. HB 125 does not affect the state special education appropriation, which has been included at the FY 2005 or present law amount.
6. Present law (MCA 20-9-326) requires the Governor to include inflation adjustments for the entitlements in the recommendations presented to the legislature. These present law entitlements result in the following expenditures: direct state aid will be \$329.76 million in FY 2006 and \$333.02 million in FY 2007. Special education payments remain at \$36.4 million in FY 2006 and FY 2007. Guaranteed tax base aid to schools will be \$104.62 million in FY 2006 and \$105.40 million in FY 2007. County retirement costs will be \$21.5 million in FY 2006 and \$22.2 million in FY 2007.
7. SB 341 new Section 1. Unified and joint board interdistrict school agreements would have no fiscal impact in FY 2006. This fiscal note was prepared assuming all unified districts would reduce any fund balance available for reappropriation by three percent of their prior year adopted budget (FY 2005 adopted budget used for this calculation) if available, by moving the money to the interdistrict fund allowed by SB 341. This reduces fund balance reappropriated by \$4.7 million and increases Guaranteed Tax Base Aid by \$2.0 million.
8. SB 341 includes additional per-ANB entitlement amounts equal to the greater of \$50 per ANB or \$1,000 per district in FY 2006 and the greater of \$98 per ANB or \$1000 per district in FY 2007 for cultural heritage studies. The additional entitlements increase Direct State Aid by \$3.5 million in FY 2006 and \$6.8 million in FY 2007. Guaranteed Tax Base Aid would increase in FY 2006 by \$1.1 million and by \$2.1 million in FY 2007.
9. SB 341 changes the Direct State Aid percentage from 44.7% in present law to 48% for both FY 2006 and FY 2007. Guaranteed Tax Base Aid is reduced from 35.3% to 32% for eligible districts.
10. Under SB 341, direct state aid paid to public schools would increase to \$378.54 million in FY 2006 and \$398.88 million in FY 2007. Guaranteed tax base aid paid to schools would decrease to \$100.97 million in FY 2006 and increase to \$109.02 million in FY 2007. County retirement costs will be \$21.98 million in FY 2006 and \$23.07 million in FY 2007.

### FISCAL IMPACT:

	FY 2006 <u>Difference</u>	FY 2007 <u>Difference</u>
<u>Expenditures:</u>		
Local Assistance – present law (MCA 20-9-326)	\$ 9,556,366	\$19,427,336
Local Assistance – new proposal	<u>45,585,457</u>	<u>70,311,531</u>
TOTAL	\$55,141,823	\$89,738,867

### Funding of Expenditures:

General Fund (01)	\$55,141,823	\$89,738,867
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### Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	(\$55,141,823)	(\$89,738,867)
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### **EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:**

According to SB 341, the per-ANB entitlements and the cultural heritage entitlement would create increased budget limits.

School districts will respond to SB 341 in three ways. Many districts will increase general fund spending; others will provide property tax relief. Some districts will combine the two approaches.

- Districts that are currently spending at the BASE budget level will be required to increase spending and local property taxes to achieve the new BASE level.
- Increases in property taxes to support the over-BASE portion of school district budgets will require voter approval.
- Property taxes over the Maximum budgets will be reduced by this proposal.

### **EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:**

According to SB341, the per-ANB entitlements and the cultural heritage entitlement would create increased budget limits. The state would pay 48% of the entitlements as direct state aid plus any guaranteed tax base aid to eligible districts. The remaining piece of the increased funding is the responsibility of the local taxpayer.

### **TECHNICAL NOTES:**

In Section 2. 20-9-306(10)(d) of SB 0341 and again in Section 3. 20-9-306(10)(d), the statement “the greater of \$50 per pupil or \$1000, based on the school district’s ANB,” uses “per pupil” and “ANB” together and they are different numbers with different meanings.